

# Investment Loans for Rental Properties **DSCR PROGRAM**



**"All The Cash You Need to Build your  
Rental Property Portfolio."**

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# Intro:

What is a DSCR Loan?

How does it work?

What are the pros and cons? And What are the requirements?

If you are asking yourself these questions.... You're in the right place.

A DSCR loan program is amazing if you are looking to qualify for a mortgage based on cash flow generated by an investment property and want to avoid providing employment information, tax returns, paystubs, W2s, etc.

If that interests you. Let's dive in!



## DSCR Loan: Debt Service Coverage Ratio

The DSCR loan is designed for Real Estate Investors who want to qualify a mortgage based on cash flow generated by their investment property instead of using income proof, tax returns, employment information, etc.

### Requirements for DSCR Loan

The only requirement for a DSCR loan is your ability to pay mortgage payments through your property's rental income.

DSCR Lenders use a ratio called DSCR ratio to assess whether your property meets the criteria or not.

The ideal DSCR ratio for getting approved for the loan is more than 1. The more the merrier.

### How to Calculate DSCR?

$$DSCR = \frac{NOI (Income - Expenses)}{Mortgage Payment}$$

\*NOI: Net Operating Income      DSCR > 1 (Good), < 1 (Bad)

Example:  
Income: \$2000, Expenses: \$500, Payment: \$1000

$$DSCR = \frac{\$2000 - \$500}{\$1000} = \frac{\$1500}{\$1000} = 1.5$$



## What is a DSCR loan program? And How Do DSCR Investor Loans Work?

The DSCR loan is designed for Real Estate Investors and mortgage brokers who want to qualify for a mortgage based on cash flow generated by their investment property instead of using income proof, tax returns, employment information, etc.

Because a DSCR may quickly identify a borrower's ability to repay without requiring income verification, lenders use it to help real estate investors qualify for loans. Some real estate investors might not be eligible for a standard loan because they deduct expenses from their properties.

These real estate investors can qualify for the debt service coverage ratio loan more efficiently since they are not required to provide proof of income in the form of tax returns or pay stubs, which investors either don't have or don't accurately reflect their real income due to write-offs and business deductions.



## For Whom is the DSCR Loan Perfect?

The DSCR loan is a good choice for investors who do not want to provide employment information, tax returns, payslips, W2s, etc. It's ideal for self-employed borrowers with very complex incomes looking for an investment property, as it addresses the problem of having to deal with complex tax returns. It can also be a great option if you own several investment properties and say you have reached the traditional credit limit,



Investors who don't wish to provide employment information (tax returns, payslips, W2, etc.)  
Freelancers  
Self-employed businessman

## What is a Good DSCR Ratio?

Most DSCR lenders demand that their clients have a DSCR ratio of 1. The average minimum for most lenders is 1.

A DSCR ratio of 1.00 indicates that the borrower will have adequate cash flow from the subject property to pay off the loan. If the DSCR ratio is 1.25, the borrower can make loan payments with some extra room. A percentage of 1.50 would provide even more breathing room for the borrower and so on. Again, lenders typically require a minimum DSCR ratio of 1 to process your DSCR loan.

The formula for calculating DSCR for an investment property is Net Operating Income / Debt Obligations. It's tempting to use this quick and easy calculation, but it is important to double-check the figures before using the formula.

Net Operating Income (NOI) is the property's rental income minus vacancy loss and operating expenses. For example, if a property had an ROI of \$1,000,000 and an annual debt obligation of \$850,000, it would have a DSCR of:

$$1,000,000/850,000 = 1.18 \text{ DSCR}$$

**Net Operating Income = Revenue - COE - Vacancy Loss**

**COE = Certain Operating Expenses**

**Total Debt Service = Current debt obligations**



### DSCR Investor Loan Example:

A real estate investor may be considering a home with a gross rental income of \$50,000 and an annual debt of \$40,000. When you divide \$50,000 by \$40,000, you get a DSCR (Debt Service Coverage Ratio) of 1.25, which means that the property generates 25% more income. This also means a positive cash flow in the lender's eye.

# What are the pros and cons of a DSCR loan?

## Pros:

- Easier to qualify than other investment property loans
- No personal income verification is required
- Flexible underwriting guidelines
- It can be used to finance properties with little or no rental history

## Cons:

- Higher interest rates and fees than conventional mortgages
- 20-25% down payment required Must provide proof of income from rental property to qualify
- Closing costs can be high for DSCR loans.

Overall, DSCR loans can make it easier to purchase investment properties and provide flexible financing options. Be sure to compare lenders and get the best rate available for your situation.

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# What are the Borrower Qualifications for a DSCR Mortgage?

Here are the DSCR loan requirements that you must need to fulfill to get the loan

**01 620 or Higher Credit score** A DSCR mortgage typically requires a credit score of 620, which is comparable to the score needed for a regular investment property loan. However, the minimum credit score required for a DSCR mortgage varies based on the lender and other circumstances.

**02 15-25% Down payment**

You need to put down the 15-25% down payment in order to get the DSCR loan for your investment property. To get 15% you need more experience, better credit, and a better DSCR Ratio.

**03 DSCR  $\geq$  1**

You need to have a DSCR ratio of 1 or higher to qualify for the DSCR loan. Some lenders might approve your loan with  $DSCR < 1$ , but the down payment and interest rates will be higher



## What do I do next!?

Get approved or pre-qualified. Every purchase or refinance situation is different so start by getting answers. You have nothing to lose but much to gain with this type of investor financing.

If you're truly serious about investing in real estate, then we have excellent news. For a limited time only, we're offering you a free, no-obligation session with one of our DSCR loan experts.

During your 30-minute session, we'll discuss your current situation, what your real estate goals are and how we can help you achieve them using our proven framework.

There's no cost or obligation to move forwards with our financing afterwards if you feel like it's not for you. It's simply a free information session designed to educate you and provide value to you in advance. To claim your free consultation, or find out more information about this

limited-time offer, all you have to do is click the link below.

